

BEFORE

THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 92-227-C - ORDER NO. 93-336

APRIL 12, 1993

IN RE: Application of BellSouth Telecommunica-) ORDER
tions, Inc. for Approval of its New) DENYING
VG/ELG Depreciation Rates and Amortiza-) REHEARING
tion Schedules) AND
) RECONSIDERATION
)

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Rehearing and Reconsideration of our Order No. 93-206, filed by the South Carolina Cable Television Association (SCCTA) pursuant to R.103-881 of the Rules of Practice and Procedure of the Commission and S.C. Code Ann., §58-9-1200 (1976), as amended. BellSouth Telecommunications, Inc. (Southern Bell) filed a response to SCCTA's Petition.

SCCTA raises three (3) issues in its Petition: 1) That there is insufficient evidence to support the Commission's increase in depreciation rates; 2) That the use of Southern Bell's Fisher-Pry analysis was inappropriate; and 3) That Southern Bell's modernization plans were speculative. For the reasons stated below, the Petition of SCCTA must be denied.

First, addressing the allegation that there is insufficient

evidence to support the Commission's increase in depreciation rates, the Commission finds quite the contrary. First, the proposed rates set forth by Staff and Southern Bell were supported by Southern Bell's 1992 Depreciation Study, the subsequently filed July 23, 1992 update reached as a result of the "three-way meeting," and the testimony presented by Messrs Wilson and McDaniel. The Supreme Court of South Carolina stated with approval in South Carolina Cable Television Association v. Southern Bell, 417 S.E.2d 586, 590 (S.C., 1992), that "... for nearly thirty years representatives of the Public Service Commission, Federal Communications Commission, Southern Bell, and other regulatory agencies have conferenced on a triennial basis for the purpose of reviewing the depreciation rates utilized by Southern Bell in order to ascertain whether the rates reasonably reflect consumption of existing plant." As explained by Company witness Wilson and Staff witness McDaniel, the parties to the "three-way meeting" met using the original Depreciation Study, filed by BellSouth in this Docket as a starting point. As a result of numerous discussions, the parties reached an agreement on depreciation rates which was filed with this Commission on July 23, 1992. The techniques used by Southern Bell in developing its depreciation rates are fully described by the testimony of Company witness Wilson. The record is therefore replete with evidence to support the Commission's increase in depreciation rates approved in Order No. 93-206. The Commission holds that the expert opinion testimony in this case was accompanied by an evidentiary showing

of the facts upon which the opinion was predicated, and therefore, constituted substantial evidence to support the conclusion of the Commission. The SCCTA's first ground in its Petition for Rehearing and Reconsideration is therefore rejected.

Second, the use of Southern Bell's Fisher-Pry analysis was completely appropriate under the circumstances described in the testimony in the case. Company witness Barreca thoroughly described the use of the model, and stated that, even though he believed that the Fisher-Pry substitution model was well suited for use in assessing the lifecycles of most network technologies, that the Company limited the usage of the model to the rapid deployment phase of the lifecycle, that is, a portion of the lifecycle between 10% and 90%. Barreca went on to illustrate his testimony by citing the example of lifecycle analysis of fiber deployment. As the Commission held on Order No. 90-571, the Commission holds that it continues to "support the propriety of forward looking with the benefit of historical analysis as opposed to historical, backward looking only methodologies in determining life projections." That Order was upheld in the South Carolina Supreme Court case of South Carolina Cable Television Association v. Southern Bell, Id. Despite cross-examination by SCCTA's attorney during the hearing, Barreca, in the opinion of the Commission, successfully defended the appropriate use of the Fisher-Pry substitution model in the situation presented by Southern Bell's Depreciation Study. There is no question that the analysis contains imperfection, however, the Commission holds that

the analysis was appropriate in the case at bar. Thus, SCCTA's second ground is rejected.

Third, SCCTA claims that Southern Bell's modernization plans are speculative and unsupported. Such a conclusion is inappropriate, considering the presentation by Southern Bell of the testimony of Company witness Lee concerning the reasonableness of Southern Bell's network plans, including switching retirements. Lee described in detail the process used to develop Southern Bell's network plans. Southern Bell produces modernization deployment plans which are reasonable and economical in the opinion of this Commission. Prudence of these plans is assured through use of the fundamental planning process which has been validated by years of practice. It should be noted that this process is dynamic, and therefore, a review and analysis of the network is constantly under way to ensure continued rational and economic plans for deployment. This ground presented by SCCTA must also fail.

The Commission has examined all of the reasoning alleged by SCCTA and finds that reasoning invalid and inappropriate. The Commission holds that all of its conclusions in Order No. 93-206 were supported by substantial evidence presented in the case before the Commission, and that all grounds as stated by SCCTA must be rejected.

IT IS THEREFORE ORDERED THAT:


1. The Petition for Rehearing and Reconsideration of Order No. 93-206 presented by the South Carolina Cable Television

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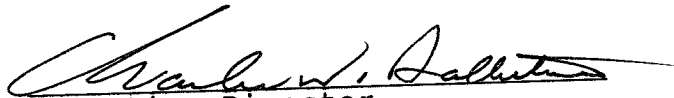
Association is hereby denied.

2. That this Order shall remain in full force and effect
until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)